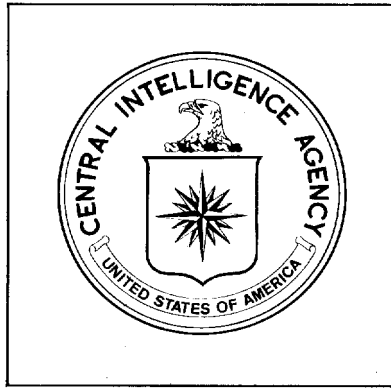


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No. 0257-75

August 27, 1975

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§ 5B(1), (2), and (3)
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WESTERN EUROPE — CANADA — INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Netherlands Backing Away on Navy Cuts

In the face of an almost uniformly negative response from their NATO allies, the Dutch are beginning to back away from their earlier proposal to reduce their naval forces. A ranking foreign ministry official, responding to US criticism to the proposals, suggested that parliament might not require extensive budget reductions and, even if it did, might be reluctant to cut naval forces when faced with strong objections from NATO allies.

The Dutch government wanted to cut approximately \$125 million from the 1976 defense budget, almost all of which would come out of outlays for the navy. The air force is virtually exempt because of the recent decision to purchase the US-made F-16, and the government's policy not to reduce ground forces while the force reduction talks continue means the army budget is essentially immune.

The Dutch had proposed to NATO retiring 15 Neptune patrol aircraft in January and decommissioning the Dutch flag ship next month.

The foreign ministry official revealed that a number of other proposals had been made--and rejected--including one to abolish the entire naval air service. He noted, however, that proposed reductions sometimes had been watered down because of the insistence of the centrist and conservative parties that NATO agree to them. (Secret No Foreign Dissem)

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Corsicans Challenge French Government

The recent gunbattle between 50 Corsicans demanding greater autonomy and 1,000 riot police from the French mainland marks a new step in the islanders' campaign for more control over their domestic affairs. The extremist wing of the movement has set off more than 150 bombs on the island during the past four years--concentrating mainly on destroying government offices and shops owned by "foreigners"--but until the confrontation last week there had been no threat to human life.

The Corsicans already had a reputation for rebelliousness when the island was bought by France in 1768 from the Italian Republic of Genoa. Although the island is an integral part of France, Corsicans still speak an Italian dialect and consider themselves a race apart.

The most recent outbreak of violence occurred on August 21 when a group called "Action for the Rebirth of Corsica" (ARC) seized a large farm belonging to a former French colonist from Algeria to dramatize autonomist demands and secure the release of a fellow-militant who went on trial that day. As police reinforcements arrived from the mainland the next morning, the besieged Corsicans grabbed six hostages--four North African laborers and two tourists--to exchange for their own freedom. Two policemen were killed and several others wounded before the Corsicans were overwhelmed by tear gas.

The assault on the farm was the first action by ARC in support of its new, uncompromising manifesto which calls for an

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all-out-struggle for autonomy. The manifesto was issued at a mass rally on August 17 attended by 8,000 members of ARC-mostly local farmers-and seems to mark a turning point for the group which, since its inception in 1967, has favored legal means in pursuit of its main objective-a locally elected assembly that would have control over the island's domestic affairs.

Most Corsicans do not want total separation from France, but there is widespread support for increased autonomy. Complaints center on the "foreigners" whose economic success contrasts markedly with the worsening condition of native islanders-Corsica now has the highest proportion of unemployed and the second-lowest per capita income of any French region. The bitterest resentment is reserved for 15,000 pieds noirs-former colonists in French Algeria-who were resettled in Corsica during the 1960s. The refugees benefitted heavily from government subsidies, grants and loans not available to the Corsicans. Noted for their industriousness and efficiency, the pieds noirs took full advantage of government aid to buy and reclaim barren land and bring in thousands of North African laborers to work their farms. Autonomists claim that the pieds noirs now own most of the land in Corsica and demand that all land being farmed by "foreigners" be returned to Corsican control.

Another major grievance is the alleged lack of responsiveness by the highly centralized French government. Corsicans resent the island's lagging industrial development and what they consider to be the lack of a social action program tailored to Corsican needs. Advocates of autonomy accuse Paris of running Corsica like a colony and of being only interested in the island's development as a tourist area.

Tension has remained high on the island since the shoot out last week. ARC members

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have attacked businesses owned by pieds noirs and "mainlanders" and clashed with police. The uneasy calm that has prevailed on the island for the past few days could easily erupt into violence again. The government's decision to ban the ARC movement and arrest its leader and ten leading members has led to predictions of further serious incidents unless Paris backs down and makes important concessions. According to press reports, the pieds noirs fear that a civil war may be imminent. The incidents of the past week have, in any case, given the Corsican drive for autonomy a momentum that may force Paris to come to grips with the persistent "Corsican problem."
(Confidential)

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Communist-Dominated Union Defends State Inter-
vention Against Wildcat Strikes in Italy

Luciano Lama, the head of the Communist-dominated Italian labor confederation CGIL, has condemned recent strikes by autonomous union members. He rejected the possibility of any legal restrictions on the constitutional right to strike, but defended state intervention in exceptional cases when necessary to preserve order--a reference to the government's order last week for the Army to help run the strike-bound railroads. Lama's remarks were featured in an interview published on the front page of the Italian Communist newspaper, L'Unita, early this week.

His statements may shock some rank and file union members, but the CGIL leader's remarks are consistent with the Italian Communists' strategy of offering surprisingly moderate solutions for saving Italy from what is feared to be impending economic and political chaos.

Lama was particularly upset that the strike activity was disrupting public transportation during the peak holiday and tourist period. Airline pilots, railroad workers, ferryboat operators, street cleaners, customs and auto registration officials have all struck in August. Lama said these strikes have been especially irresponsible because

- they inconvenience large numbers of workers who are travelling now, and
- they might further divide Italian labor, and
- they are designed in part to halt the shift of the political spectrum to the left that has been evident since the election in June.

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The autonomous unions are primarily interested in defending and expanding their contractual bargaining power and have not been concerned with the effect of their strikes on public opinion.

Lama's conciliatory approach was carried over into a discussion of Italy's current economic difficulties. He said he approved of the government's plan for coping with these problems, but is concerned that bureaucratic ineptitude and political delays will impede its application. Lama reiterated that as far as the CGIL is concerned contract negotiations involving 4.5 million workers in the industrial and service sectors scheduled to begin this fall will concentrate on preserving jobs rather than increasing wages. (Confidential)

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